

Trademarks on the Internet

An Update on Metatags, Sponsored Links, and Pop-Up Advertisements

Ernest W. Grumbles
William D. Schultz
Merchant & Gould, P.C.

I. INTRODUCTION

Today rages on a battle between trademark owners and Internet marketers over the right to use trademarks in hidden text and unseen databases to trigger advertisements and generate website traffic. The issue bears resemblance to the epic Trojan battles. After years of competing head to head using conventional tactics, the Greek army devised a new way to get access to the City of Troy – it assembled a great wooden horse, filled it with men ready for battle, and then rolled it into the city as a gift. When night fell, the men in the horse opened the doors, granting their army direct access to the city.

Like the Greek army, Internet marketers once entrenched in the battle of newspaper, television and radio ads have found a new, creative way to gain access to their City of Troy (consumers) through the use of hidden keyword advertising. Keyword advertising is based on the idea of using hidden terms to generate advertisements and search results that include the Internet marketer's products and services. Unlike conventional advertisements where the marketer is readily apparent at the outset, the Internet marketer using keywords remains hidden until such a time when a consumer types in the keyword. At that time, the advertisement or website is placed in front of the consumer.

Use of competitor trademarks as metatags and to generate sponsored links and pop-ups remains a legal risk and continues to spawn fierce litigation.

With keyword advertising, Internet marketers not only use their own trademarks and descriptive terms to generate the advertisements and search results, they also use their competitors' trademarks, which has caused a new set of battles – those in court. Three main sources of litigation have developed based on this new marketing clash: (1) metatags, (2) banner ads/sponsored links, and (3) pop-up ads.

Cases involving keyword advertising have centered around two key issues – whether the use of trademarks as keywords constitutes a use in commerce and, if so, whether that use is a fair use. Because there is no specific legislation directed at these practices, intellectual property owners (and accused infringers) have relied mainly on the Lanham Act (which requires that the mark be used in commerce) for direction. The courts are split on the issue of whether keywords are considered a use in commerce.

A sampling of the cases shown below shows the court split. In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004), the Ninth Circuit held that use of trademarked terms as keywords to generate banners ads for competitors of the trademark owner *can be* trademark infringement where the resulting banner

ads are not labeled and identified or where the banner ad makes no comparative reference to the trademark owner (as it should for good faith comparative advertising). In *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005), the Second Circuit held that use of a mark in an unpublished directory of terms to trigger pop-up ads did not constitute a use in commerce, permitting advertisers to use competitors' trademarks in such a manner. After the *1-800 Contacts* case, the Eastern District of Virginia, in *Government Employees Ins. Co. v. Google, Inc.*, 77 U.S.P.Q.2d (E.D. Va. 2005), found that use of trademarks to trigger sponsored links (similar technology to banner ads and pop-up ads) was indeed a use in commerce.

Courts are split on whether use of trademarks as keywords is a "use in commerce" under the Lanham Act.

This chapter will demonstrate the complexity of the issues involved with Internet marketing activities that use keywords and third-party trademarks to deliver advertisements. While the courts are moving toward clarity, the court decisions also show that the facts of the particular case have a significant impact on whether a use is infringing or not. Following is a discussion of the historical generation of case law and the most recent developments in that case law related to trademark rights and the use of metatags, banner ads/sponsored links, and pop-up ads.

II. METATAG UPDATE

A. Background

Metatags are keywords (invisible to the consumer), embedded in a web page's hypertext markup language ("HTML") code, used to categorize and rank websites for search engines. Metatags have been analogized to the subject index of a card catalog indicating the general subject of a book. *Faegre & Benson, LLP v. Purdy*, 367 F. Supp. 2d 1238, 1242 (D. Minn. 2005). Search engines compare the search term or terms entered with the keywords contained in the metatags of a website and generate a list of websites ranked, in part, by the frequency with

which the search term or terms appear in the metatags of all websites. *See Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999). Not surprisingly, website content managers began placing competitors' trademarks, along with a number of descriptive or generic terms, in the metatag portion of the website to generate increased Internet traffic.

Trademark owners did not appreciate the competitive use of their trademarks as part of metatags and filed several lawsuits regarding the third-party use of metatags to trigger search engine results. *See, e.g., Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102 (D. Mass. 1998) (finding diversion of a competitor's customers where the defendant directly copied the plaintiff's metatags and HTML code); *Promatek Indus. Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002) (holding that the defendant's reference to the plaintiff's trademark in the metatags of the defendant's web page was a violation of trademark law).

Now somewhat dated, the leading case on the issue of metatags, and also the first case decided at the appellate level, is *Brookfield*. In *Brookfield*, the court found that the defendant's use of the plaintiff's trademark "MovieBuff" as a metatag constituted trademark infringement. 174 F.3d at 1061. The court applied the doctrine of initial interest confusion, likening the offending metatag to posting a billboard on a highway directing a consumer to a competitor's store at the advertiser's location. *Id.* at 1064. The *Brookfield* court also recognized that the well-settled defenses to trademark infringement (i.e., fair use, descriptiveness, and functionality) are equally applicable in the Internet context. *Id.* at 1065-66; *see also Playboy Enterprises, Inc. v. Terri Wells, Inc.*, 78 F. Supp. 2d 1066 (S.D. Cal. 1999), *aff'd in part, rev'd in part*, 279 F.3d 796 (9th Cir. 2002) (former Playmate's use of plaintiff's trademarks

“Playboy” and “Playmate” as metatags was protected fair use). The breadth of the cases has expanded since *Brookfield*, but the same general issues apply. Below are some recent decisions on metatag use.

B. Recent Cases on Metatag Use

Since the *Brookfield* case, several courts have analyzed the issue of whether a trademark used as a metatag can constitute trademark infringement. The answer to the question largely depends on the specific issues involved in the case. Below are several recent cases on the issue of keywords used in metatags.

1. Cases Finding Actionable Claims on Use of Competitors’ Marks in Metatags

a. Australian Gold, Inc. v. Hatfield, 436 F.3d 1228 (10th Cir. 2006)

Plaintiff Australian Gold was in the business of manufacturing and distributing indoor tanning lotions that were sold to fifty to sixty percent of the tanning salons in the United States. The defendants were resellers of the plaintiff’s products, primarily selling over the Internet. The defendants used up to seven websites to sell products to the general public. In order to increase sales, the defendants purchased premium listing placements at Overture.com for the terms “Australian Gold” and “Swedish Beauty.” That purchase guaranteed defendants that one of their websites would appear among the first three listed in the search inquiry. The defendants also used the plaintiff’s trademarks as part of the metatags on their websites.

In Australian Gold, the 10th Circuit held that initial interest confusion trumped the first sale doctrine, barring unauthorized product resellers from using product marks as keywords.

The Tenth Circuit applied the initial interest confusion doctrine to affirm the lower court’s denial of the defendants’ motion for judgment as a matter of law on the plaintiff’s Lanham Act Claims. The district court enjoined the defendants from their use of the plaintiff’s

trademarks on their websites, in the metatags, and as search terms. In affirming, the court held that the defendants' acts were attempts to divert traffic to the defendants' websites. *Id.* at 1239. The court held that the first sale doctrine did not apply in this situation because the defendants were not authorized resellers and the first sale doctrine does not extend to a situation where parties use a trademark to make the impression that they are the favored or authorized resellers when they are not. *Id.* at 1241.

b. *Shainin II, LLC v. Allen, 2006 U.S. Dist. LEXIS 29900 (W.D. Wash. May 15, 2006)*

The plaintiffs owned various trademarks, including the terms SHAININ, RED X, GREEN Y and FEMCA. The defendants, who formerly worked for the plaintiffs, had signed agreements not to perform or render services for any client of the plaintiffs. The defendants began offering consulting and training services. In rendering those services, one of the defendants maintained a website that also incorporated the plaintiffs' trademarks in the metatags.

The district court granted the plaintiffs' request for a preliminary injunction based on the defendant's use of the plaintiffs' trademarks in metatags on his website. The court found that the use of a plaintiff's trademarks in the metatags of a website may give rise to trademark infringement based on the initial interest confusion doctrine of *Brookfield*. *Id.* at *27. The court found that there was no dispute that the defendant's website contained the plaintiffs' trademarks in its metatags and that the website also included confusingly similar variations of the trademarks. *Id.* at *11. Because the defendant had already removed the metatags from its website, the court held that the balance of hardship favored the plaintiffs and enjoined the defendant from using the plaintiffs' trademarks as a part of metatags. *Id.* at *28.

c. Tdata Inc. v. Aircraft Tech. Publ'rs., 411 F. Supp. 2d 901 (S.D. Ohio 2006)

Tdata and Aircraft Tech. Publishers (“ATP”) were embroiled in a patent dispute when ATP learned that Tdata was using its trademarks “ATP,” “ATP Navigator,” and “ATP Maintenance Director” in the metadata of its website. ATP requested that the court enjoin Tdata from using its trademarks on Tdata’s websites and in the metadata of those websites.

The court found that the initial interest confusion doctrine can apply to Internet cases, including this case. *Id.* at 907. The court limited that doctrine however, finding that the doctrine constitutes only one part of a relevant likelihood of confusion inquiry. *Id.* at 908. Before reaching a decision on the issue of likelihood of confusion, the court examined eight relevant factors relating to likelihood of confusion. *Id.* In doing so, the court found that consumer confusion was likely to occur and granted ATP’s motion for summary judgment on the issue of likelihood of confusion. *Id.* at 912.

Also of note, the court dismissed Tdata’s fair use defenses based on classic and nominative fair use. *Id.* at 911. The court found that the use of ATP’s terms did not simply and fairly refer to ATP’s products. *Id.* Rather, the court concluded that the use of the trademark in metatags was in bad faith, used to bait-and-switch and create initial interest confusion. *Id.* at 912.

2. Cases Declining Claims Related to Metatag Use

a. Einhorn v. Mergatroyd Prods., 2006 U.S. Dist. LEXIS 20645 (S.D.N.Y. April 17, 2006)

The plaintiff, Einhorn, was an aspiring theatre director. The defendant was the author of a play directed by the plaintiff. A day before

the scheduled opening of the play, the plaintiff was terminated. The show did go on. After the performance, the defendant posted the full-length performance on her website and included the plaintiff's name, "Einhorn," in the metatags of the website. The court found that the plaintiff's claim failed at the outset because the plaintiff did not allege that he had a valid trademark – the court found that the complaint makes no suggestion that Einhorn's name had been used as a trademark. The decision in this case may have changed if the plaintiff had alleged and provided some evidence that his name was used as a trademark.

b. *Faegre & Benson, LLP v. Purdy*, 367 F. Supp. 2d 1238 (D. Minn. 2005)

An individual who claimed to support a particular position on abortion registered several domain names that were confusingly similar to a law firm's trademarks and placed the firm's trademarks as part of the metatag data underneath the website. The law firm brought suit against the individual, alleging violations of the Lanham Act, among other claims. The U.S. District Court of Minnesota permitted use of metatags to describe the content of the individual's website to the extent that the individual was using the terms to correctly identify and then criticize the law firm. Direct copying of metatags from the law firm's website, however, indicated a bad faith intent to mislead consumers, which was not permitted.

C. Some Observations

The opinions relating to metatags show that courts are taking a balanced approach to the use of metatags, considering the facts of each case in determining whether the metatag is being used as a trademark and whether that use is justifiable. Courts appear to be less willing (or in the Southern District of New York perhaps unwilling) to impose liability when bad faith is not present. Conversely, where a party, such as the

defendant in *Tdata Inc. v. Aircraft Technical Publishers*, has stepped over the line, the courts will not hesitate to protect the trademark owner. With those general observations in mind, practitioners evaluating use of a trademark (whether their own client's or a competitor's) as a keyword metatag should consider the issues related to use in commerce, likely confusion, fair use, as well as the evolving initial interest confusion doctrine.

III. BANNER AD / SPONSORED LINK UPDATE

A. Background on Banner Ads

Banner advertising is a form of keyword advertising that places graphic and text-based advertisements in front of consumers based on search terms entered in search engines such as Yahoo! and Google. Internet marketers purchase terms, oftentimes the trademarked terms of competitors, from the search engines. When consumers type in the purchased keyword into the search engine, the marketer's advertisement appears as an alternative to, and perhaps in place of, a link to the competitor's website that the consumer initially desired.

The practice of using a competitor's trademark as a keyword to trigger banner advertisements has led to several lawsuits on the issue. The first court to address the issue, the Central District of California, found that the specified keywords at issue were merely generic terms, not protectable trademarks. In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070 (C.D. Cal. 1999), Playboy ("PEI") sought to enjoin Netscape and Excite, two popular search engines, from selling its registered trademarks "playboy" and "playmate" as keywords to third parties. These third parties, many of whom were competitors of PEI, purchased the keywords to present banner ads for their own competing adult materials. After a series of appeals, the Ninth Circuit held that there were triable issues of fact regarding trademark

infringement and dilution claims. *Playboy Enterprises v. Netscape Communications, Inc.*, 354 F.3d 1020 (9th Cir. 2004). The court reaffirmed the vitality of the principle of initial interest confusion from *Brookfield* and found that this theory applied in the banner ad situation. The court also found that the terms “playboy” and “playmate” were not just dictionary terms, but actionable trademarks with secondary meaning among prospective customers. The Ninth Circuit also held the nominative and classic fair use defenses inapplicable. The case was ultimately dismissed. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, Nos. SACV 99-320, SACV 99-321, 2000 WL 1308815 (C.D. Cal. Sept. 13, 2000).

The *PEI* case shows that trademark keywords placed into a search engine database to trigger banner advertisements may constitute an actionable claim under the Lanham Act. The new banner ad is the sponsored link, addressed below.

B. Sponsored Links – The New Banner Ad

Sponsored links are text variations of banner ads that are usually displayed in connection with search engine results. Advertisers pay to have the text advertisements appear when an Internet user keys a particular keyword. The issue regarding this practice is whether an advertiser may use another’s trademark to trigger its advertisement.

The most popular of the sponsored link companies is the Internet search engine Google. Google’s Adwords program permits advertisers to present banner ads or links in response to searches for various generic and trademarked terms. In the AdWords program, an advertiser purchases keywords from Google. When those keywords are typed into the Google search engine, the advertiser’s link appears in a sponsored link section of the search results. Google’s guidelines state that the Terms and

Conditions of the program prohibit intellectual property infringement and also state that the advertisers, not Google, are responsible for the keywords used to generate the advertisements. To see the guidelines, see <<https://adwords.google.com/support/bin/topic.py?topic=26>>. Despite the policy, trademark owners have brought suit against Google and others based on the use of trademarks to trigger sponsored ads.

The key to the cases has been whether the use of a trademark hidden in a computer database to trigger textual advertisements constitutes a use in commerce or fair use under the Lanham Act. The cases are divided.

C. Recent Cases on Banner Ads and Sponsored Links

1. Cases Finding Actionable Claims on Banner Ads and Sponsored Links

a. Edina Realty, Inc. v. TheMLSONline.com, 2006 U.S. Dist. LEXIS 13775 (D. Minn. March 20, 2006)

The plaintiff Edina Realty brought suit against the defendant TheMLSONline.com based on the defendant's use of the plaintiff's EDINA REALTY mark in keywords purchased from several Internet search engines, including Yahoo and Google. The court found that the defendant also used the mark as a part of the text of advertisements on the search engines' websites and in hidden text on its own website. The U.S. District Court of Minnesota ruled that "while not a conventional 'use in commerce,' defendant nevertheless uses the Edina Realty mark commercially. Defendant purchases search terms that include the Edina Realty mark to generate its sponsored link advertisement." *Id.* at *10. Based on that factual finding, the court found that the defendant's purchase of the keywords was a use in commerce.

Trademark owners are turning their litigation attention away from Google to specific purchasers of sponsored links tied to trademark keywords.

The defendant requested that the court reconsider its decision based on a recent decision in the Southern District of New York, which

is discussed below. *See Edina Realty, Inc. v. TheMLSonline.com*, 2006 U.S. Dist. LEXIS 29117 (D. Minn. May 11, 2006). The court declined that request. From a procedural standpoint, this case is poised to move forward.

**b. Gov't Employees Ins. Co. v. Google, Inc.,
77 U.S.P.Q.2d 1841, 2005 U.S. Dist. LEXIS 18642
(E.D. Va. Aug. 8, 2005)**

Plaintiff Government Employees Ins. Co. filed suit against defendant Google for allowing third parties to purchase keywords based on the plaintiff's trademark GEICO. Google moved to dismiss the case, asserting that the use of the keywords was not a use in commerce. The court denied Google's motion to dismiss trademark infringement claims based on use of sponsored links. The court found use of trademarks to trigger sponsored links to be a use in commerce.

In early September 2005, the case settled. While the terms of the settlement were not made public, as of Spring 2006, use of the keyword "Geico" in the Google search continued to generate sponsored results by Geico's competitors.

**c. Google v. Am. Blind, 74 U.S.P.Q.2d 1385, 2005 U.S.
Dist. LEXIS 6228 (N.D. Cal. 2005)**

American Blind alleged that Google infringed on American Blind's trademark rights based on Google's sale of keywords containing American Blind's marks. Google moved to dismiss the case on the basis that the use of trademarks as keywords is not a use in commerce under the Lanham Act. Google's motion to dismiss was denied because the court found that the use of keywords could constitute a use in commerce. The court further reasoned that American Blind could prove a set of facts in support of its claims because Google illegally capitalized on American Blind by permitting and encouraging competitors to purchase

keywords that caused links to competitor's websites to be listed above or next to American Blind's website. The case between Google and American Blind has not yet been resolved.

d. LVMH Moët Hennessy Louis Vuitton v. Google France SARL

In February 2006, Louis Vuitton prevailed in a lawsuit against Google relating to Google's AdWords program. The lawsuit related to Louis Vuitton's objection to Google accepting payments from third parties to display advertisements alongside search results for Louis Vuitton's products. In late June of 2006, the French Court of Appeals affirmed the judgment. The French court held that Google cannot use any Louis Vuitton trademarks in connection with its AdWords advertising program.

2. Cases Declining Claims Related to Banner Ads and Sponsored Links

Merck & Co. v. Mediplan Health Consulting, 2006 U.S. Dist. LEXIS 14826 (S.D.N.Y. March 30, 2006)

The Southern District of New York issued one of the first decisions regarding whether a trademark holder has a legitimate action directly against a keyword ad buyer. The issue remains whether the keyword use to generate a sponsored link constitutes a use in commerce. In *Merck*, the defendants operated interactive websites that offered generic versions of the cholesterol medication, Zocor. The defendants used Merck's trademark ZOCOR as a keyword from Internet search engines. Unlike previous cases that found the use of keywords a use in commerce, the Southern District of New York found that purchasing a keyword based on a trademark is not a use in commerce under the Lanham Act and granted the defendant's motion to dismiss. *Id.* at 415.

Stay tuned on this issue. Trademark owners continue to file claims against Google as well as advertisers using the trademark owners' marks. Recent cases filed by Rescuecom Corp., CNG Financial Corp. and JTH Tax, Inc. show that this matter has not yet been resolved. Additionally, the Supreme Court's decision that a defendant need not prove a lack of likely confusion for the classic fair use defense to apply in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S. Ct. 542 (2004) may affect the legal analysis related to sponsored links.

IV. POP-UPS: SAME GENERAL IDEA, DIFFERENT RESULTS

A. Background

The use of pop-up ads on the Internet also has created legal issues. Pop-up ads are those windows that jump out at Internet users after arriving at a website, oftentimes taking up the entire desktop and requiring the consumer to drag the whole window to the left and click on the "x" to close the unwanted ad. Pop-ups are generated on a computer either when the user of the computer clicks on a link that generates the pop-up, or when software has installed (usually unknowingly) onto the user's computer. A pop-up triggered by software may be based on keywords that are set forth in a database within the software – when the user reaches a website with the keyword on it, the pop-up arrives. For example, if a user went to an air travel website, a pop-up advertisement may be generated for a discount airline ticket service. Unlike unwanted email, which simply clogs an e-mail inbox, pop-ups typically cover the content on the site that a computer user is trying to view.

B. Cases

The key issue regarding pop-up advertising – just as was the case with sponsored links – is whether the use of keywords that are based on competitor's trademarks constitutes a use in commerce when those

keywords are hidden in a database within a software product. The resolution of each case dealing with pop-up ads has been based on a finding that the use of keywords did not constitute a use in commerce – preventing liability.

1. Foundational Cases Related to Pop-Ups: Use In Commerce Issue

a. U-Haul Int'l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003)

The Eastern District of Virginia was the first court to opine on the clash between WhenU's business model and the rights of a third-party trademark owner, in this instance, U-Haul. U-Haul filed suit against WhenU, asserting, among other claims, trademark infringement when it discovered that WhenU's SaveNow software was generating competitor pop-ups on the screens of consumers browsing at <uhaul.com>. On summary judgment, the court rejected U-Haul's arguments and dismissed all counts.

Regarding trademark infringement, the court found that the SaveNow software, in delivering keyword-driven pop-ups, did not "use" UHaul's trademarks in commerce, as required for any liability under the Lanham Act for trademark infringement or dilution. The keyword directory was not presented to any particular consumer; WhenU did not directly present the U-Haul trademark to consumers; and, according to the court, the mere presence of a pop-up ad on the computer screen was comparative advertising, nothing more. Because WhenU made no "use in commerce" of U-Haul's marks, there was no basis for U-Haul's claims of trademark infringement and dilution, which the court dismissed.

b. Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734 (E.D. Mich. 2003)

The U.S. District Court for the Eastern District of Michigan was the next to consider WhenU's pop-ups. Wells Fargo objected when ads for mortgage competitors popped-up all over <wellsfargo.com> and brought the same slew of trademark and copyright infringement claims against WhenU. Like in *U-Haul*, the *Wells Fargo* court denied a preliminary injunction because WhenU did not "use" Wells Fargo's trademarks as required for liability under the Lanham Act. *Id.* at 757-58. The court ruled that (a) the mere fact that "WhenU advertisements appear on a computer screen at the same time [Wells Fargo's] webpages are visible in a separate window does not constitute use in commerce of [Wells Fargo's] mark;" (b) the presence of competitor pop-up ads in proximity to the Wells Fargo site was legitimate comparative advertising; and (c) mere inclusion of Wells Fargo's URL in the WhenU keyword directory was not "use" of the Wells Fargo mark in commerce to sell goods. *Id.* at 764.

Despite ruling that WhenU failed to use the Wells Fargo mark, the court considered the question of likelihood of confusion. The court, declining to apply the doctrine of initial interest confusion, held that Wells Fargo had failed to prove confusion.

2. Recent Cases Related to Pop-Ups Keywords

a. 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005), cert. denied 126 S. Ct. 749 (2005)

WhenU had prevailed against U-Haul and Wells Fargo when it went up against 1-800 Contacts in the Southern District of New York. *See 1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003). Any confidence gained from the previous two victories was to be tempered temporarily by the New York court's decision that held

WhenU's use of trademarks to generate pop-up ads did in fact constitute a use in commerce and that WhenU could be held liable for likely confusion. 1-800 Contacts, the largest Internet seller of replacement contact lenses, sued WhenU after discovering that pop-up ads for a competitor, Vision Direct, appeared in response to entry of "www.1-800contacts.com" in the browser bar. WhenU had included the 1-800 contacts.com URL in its keyword directory for eye care products.

While the parties in *1-800 Contacts* presented the court with roughly the same claims and defenses employed in the *U-Haul* and *Wells Fargo* cases, the court held that WhenU used the mark 1-800 CONTACTS in commerce by (a) "causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access [1-800contacts.com]," which depicts the 1-800 CONTACTS mark; and (b) "including a version of [the 1-800 CONTACTS mark in its keyword directory] to advertise and publicize companies that are in direct competition with [1-800 Contacts]." *Id.* at 488-89. The court stated that by delivering ads directly to a SaveNow user visiting 1-800contacts.com, WhenU was facilitating Vision Direct's exploitation of the goodwill and reputation of 1-800 Contacts and its website. *Id.* at 489-90.

WhenU's confidence was restored when the case went on appeal to the Second Circuit. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005) cert. denied 126 S. Ct. 749 (2005). That court reversed the district court, holding that use of a plaintiff's mark in an unpublished directory of terms to trigger pop-up ads did not constitute a use in commerce. The Second Circuit stated that WhenU did not place 1-800 Contacts' trademarks on any goods or services in order to pass them off as emanating from or authorized by 1-800 Contacts when it placed the trademarks in a hidden directory. The court also found that "a company's internal utilization of a trademark in a way that does not

communicate it to the public is analogous to an individual's private thoughts about a trademark." *1-800 Contacts*, 414 F.3d at 409.

b. Gator.com Corp. v. L.L. Bean, Inc., 398 F.3d 1125 (9th Cir. 2005)

Gator.com Corporation, now Claria Corporation, owned a software program that enabled consumers to store personal information. The program also acted as an online coupon dispenser, creating pop-up advertisements on the computer screen each time the consumer visited a website that was preselected by Gator. One of the targeted websites was L.L. Bean. After L.L. Bean sent a cease and desist letter to Gator, Gator filed for declaratory relief. The district court granted L.L. Bean's motion to dismiss for lack of personal jurisdiction. Gator appealed.

Before the parties argued their case en banc before the Ninth Circuit, the parties informed the court that they had reached a settlement agreement, but did not dismiss the suit. The Ninth Circuit then issued an opinion regarding the settlement agreement, stating that Gator agreed to no longer use its pop-up technology on L.L. Bean's website – effectively ending the lawsuit and ending the pioneer's tenure in the pop-up realm. *Id.* at 1132. As of December 2005, Gator discontinued the use of its pop-up software technology, opting to focus its attention on the personalized content business.

Pop-ups remain unpopular, and their legality is uncertain; in response, pop-up advertisers are moving away from such advertising (Claria) or attempting to increase transparency of operation (WhenU).

C. Where We Are

Recent decisions regarding the use of pop-up advertisements show that mere use of keywords to generate pop-up advertisements may not be considered a use in commerce to implicate a Lanham Act claim. Despite those holdings, however, the safest recommendation for clients would be that they not pay for advertising generated by pop-up delivery programs. With the proliferation of pop-up stoppers, the business model

may die anyway. Additionally, the law may be on a trend back to consider such activities a use in commerce based on recent developments regarding Google and its sponsored links program. Also, several legislative efforts are currently pending relating to spyware, the software that drives many of the pop-up advertisements. For a summary of those legislative efforts, please see <<http://www.benedelman.org/spyware>>.

V. CONCLUSION

Internet marketers will continue to employ new methods to deliver their products and services to consumers. For now, the vogue way to present those products and services is keyword-driven advertisements that are keyed directly to the terms used by the consumers. As the case law moves forward, the key issues will be whether the use of keywords constitutes a use in commerce and whether the use of a third party trademark may constitute a fair use. The use in commerce question appears poised for a Supreme Court decision, although to date, certiorari has been declined. As to the fair use issue, the likely trend is for the courts to continue to employ the defense to keyword-based cases similar to the law being applied in non-keyword based cases.